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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

MARJORIE A. HOY, as Trustee and Beneficiary of the James B. Hoy & Marjorie A. Hoy TTEES FBO Marjorie A. Hoy Rev Liv Trust, Derivatively on Behalf of COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION, Plaintiff, v. GORDON J. COBURN, FRANCISCO D'SOUZA, KAREN MCLOUGHLIN, THOMAS WENDEL, JOHN E. KLEIN, ZEIN ABDALLA, JONATHAN CHADWICK, ROBERT E. WEISSMAN, MAUREEN BREAKIRON-EVANS, LEO S. MACKAY, JR., JOHN N. FOX, JR., MICHAEL PATSALOS-FOX, RAJEEV MEHTA, RAMAKRISHNAN CHANDRASEKARAN, and LAKSHMI NARAYANAN, Defendants, -and- COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION, Nominal Defendant.	Civil Action No.: **VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT** **JURY TRIAL DEMAND**

Plaintiff, Marjorie A. Hoy, as Trustee and Beneficiary of the James B. Hoy & Marjorie A. Hoy TTEES FBO Marjorie A. Hoy Rev Liv Trust ("Plaintiff"), by her undersigned counsel, submits this Verified Shareholder Derivative Complaint on behalf of Cognizant Technology Solutions Corporation ("Cognizant" or the "Company") against certain current and former officers and members of Cognizant's Board of Directors (the "Board") named herein. The Board Plaintiff alleges the following on information and belief, except as to the allegations specifically pertaining to Plaintiff, which are based on personal knowledge. This complaint is also based on the investigation of Plaintiff's counsel, which included, among other things: (1) a review of Cognizant's public filings with the U.S. Securities and Exchange Commission ("SEC"); (2) pleadings, papers, and any documents filed with and publicly available from a related pending securities fraud class action captioned *In re Cognizant Technology Solutions Corporation Securities Litigation*, No. 2:16-cv-06509 (D. N.J.) (the "Securities Class Action"); and (3) a review of news reports, press releases, and other publicly available sources. Pursuant to Local Rule 10.1, the names and address of the parties are as follows:

Plaintiff

Marjorie A. Hoy, as Trustee and Beneficiary of the James B. Hoy & Marjorie A. Hoy TTEES FBO Marjorie A. Hoy Rev Liv Trust
4320 Southwest 83rd Way
Gainesville, FL 32608

Defendants

Nominal Defendant Cognizant Technology Solutions Corporation
Glenpointe Centre West
500 Frank W. Burr Boulevard
Teaneck, NJ 07666

Defendants: Gordon J. Coburn, Francisco D'souza, Karen Mcloughlin, Thomas Wendel, John E. Klein, Zein Abdalla, Jonathan Chadwick, Robert E. Weissman, Maureen Breakiron-Evans, Leo S. Mackay, Jr., John N. Fox, Jr., Michael Patsalos-Fox, Rajeev Mehta, Ramakrishnan Chandrasekaran, and Lakshmi Narayanan
Glenpointe Centre West
500 Frank W. Burr Boulevard
Teaneck, NJ 07666

I. NATURE OF PROCEEDINGS

1. This is a shareholder derivative action by Plaintiff on behalf of nominal defendant Cognizant for breaches of fiduciary duties and other violations of law, which occurred from at least February 25, 2015 to September 29, 2016 (the "Relevant Period").

2. Although headquartered in the United States, Cognizant's principal operations are based in India. This was vital to the Company's profitability: Cognizant leveraged the lower labor, tax, and other business costs of its Indian operations to provide IT services to its global clients at highly competitive prices.

3. One of the principal ways Cognizant cut its own costs, and in turn delivered lower cost services to clients, was by locating its Indian "campuses" in "Special Economic Zones" or "SEZs." Companies operating from within SEZs are guaranteed a number of highly lucrative benefits, including numerous tax exemptions and holidays; easing of various customs and labor regulations and procedures; and heightened access to credit, infrastructure, and other resources.

4. To develop or operate a facility within an SEZ, businesses are required to secure licenses from India's government. Given the extraordinary value that flows to license holders, SEZ licenses are highly sought-after.

5. At the beginning of the Relevant Period, the Indian central government indicated it would soon begin to eliminate the availability of tax benefits for new operations in the SEZs. This led to Cognizant aggressively expanding its SEZ operations, including constructing or expanding four of its ten massive "global delivery centers," each housing thousands of employees, in SEZs.

6. Cognizant publicly proclaimed in its SEC filings that it was profiting enormously from the SEZ status of its Indian operations. For example, when Cognizant reported "strong performance in 2015," its Form 10-K, filed on February 25, 2016, stated that tax benefits derived from its SEZ licenses increased the Company's net income by $201.4 million (more than 14%) and increased diluted earnings per share ("EPS") by $0.33 per share (more than 12%).

7. Significantly, as the Company was reporting strong financial results based in substantial part on the location of its Indian operations in SEZs, the Individual Defendants (as defined below) assured investors that the Company was in compliance with anticorruption law and not paying bribes to foreign officials to obtain its SEZ licenses. The Company's compliance with anticorruption and anti-bribery laws was important to shareholders given the benefits the SEZs provided to the Company.

8. During the Relevant Period, the Individual Defendants caused Cognizant to issue annual "Sustainability Reports," assuring investors it had conducted Company audits of anticorruption compliance and had discovered "no incidents" of corruption. Similarly, the Individual Defendants caused the Company to routinely assure investors in SEC filings throughout the Relevant Period that the internal controls the Company had implemented to detect any kind of improper payments were "effective."

9. Unfortunately for investors, the statements made by the Individual Defendants were false. On September 30, 2016, the truth about the Company's false and misleading statements began to be revealed by the unexpected departure of then-President, defendant Gordon J. Coburn ("Coburn"). The Company did not explain or offer reasons for Coburn's sudden departure from Cognizant, despite

Coburn being regarded by at least one senior Cognizant employee as the "second in command" and "public face" of the Company.

10. That same day, in a Form 8-K filed with the SEC, Cognizant also revealed that it was "conducting an internal investigation into whether certain payments relating to facilities in India were made improperly and in possible violation of the U.S. Foreign Corrupt Practices Act [("FCPA")] and other applicable laws." Cognizant stated that its investigation was being conducted under the oversight of the Board's Audit Committee, with the assistance of outside counsel, and that the investigation was "currently focused on a small number of Company-owned facilities."

11. On September 30, 2016, the Company announced that it had notified the United States Department of Justice ("DOJ") and the SEC of its investigation and "is cooperating fully with both agencies."

12. The Company's internal investigation ultimately revealed that between 2010 and 2015, the Company made at least $6 million in improper payments to Indian officials to obtain SMZ licenses for its Indian facilities. Importantly, the Company further disclosed in its Form 10-Q, filed November 7, 2016, that "certain members of senior management may have participated in or failed to take action to prevent the making of potentially improper payments by either overriding or failing to enforce the controls established by the Company

relating to real estate and procurement principally in connection with permits for certain facilities in India."

13. Egregiously, while the Company's stock was trading at inflated prices due to the false and misleading statements alleged herein, certain of the Individual Defendants benefited from the artificially inflated price of the Company's stock during the Relevant Period, by selling their shares for millions of dollars in proceeds before the truth was revealed.

14. As a result of the Individual Defendants' misconduct, Cognizant has suffered damages as alleged herein.

II. JURISDICTION AND VENUE

15. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 in that this complaint states a federal question. This Court has supplemental jurisdiction over the state law claims asserted herein pursuant to 28 U.S.C. § 1367(a). This action is not a collusive one to confer jurisdiction on a court of the United States which it would not otherwise have.

16. Venue is proper in this district because a substantial portion of the transactions and wrongs complained of herein, including the defendants' primary participation in the wrongful acts detailed herein, occurred in this district. The Company is headquartered in this district, and defendants have received substantial

compensation in this district by engaging in numerous activities and conducting business here, which had an effect in this district.

PARTIES

17. Plaintiff was a shareholder of Cognizant at the time of the wrongdoing complained of, has continuously been a shareholder of Cognizant since March 28, 2013, and is a current Cognizant shareholder.

18. Nominal Defendant Cognizant is incorporated in Delaware, though its principal place of business is located at 500 Frank W. Burr Boulevard, Teaneck, New Jersey 07666.

19. Defendant Francisco D'Souza ("D'Souza") has been a director of the Company and the Chief Executive Officer ("CEO") since 2007. D'Souza is a defendant in the Securities Class Action. During the Relevant Period, D'Souza served on the Executive Committee with defendants Coburn and Lakshmi Narayanan ("Narayanan"). D'Souza received $11,951,383 in compensation from Cognizant for the year ended December 31, 2015, and $11,333,063 in compensation from Cognizant for the year ended December 31, 2014.

20. Defendant Karen McLoughlin ("McLoughlin") has been the Company's Chief Financial Officer ("CFO") since February 6, 2012. McLoughlin is a defendant in the Securities Class Action. She received $3,705,728 in compensation from Cognizant for the year ended December 31, 2015, and

$3,278,226 in compensation from Cognizant for the year ended December 31, 2014.

21. Defendant Coburn was the Company's President until September 27, 2016, when he abruptly resigned. Coburn had been President of Cognizant since February 6, 2012. Prior to that, from March 1998 until February 2012, Coburn was the Company's CFO and Treasurer, and from January 2007 until February 2012, he also held the position of Chief Operating Officer. Prior to his departure from the Company, Coburn also served on the Board's Executive Committee with defendants D'Souza and Narayanan. Coburn is a defendant in the Securities Class Action. Coburn received $6,968,995 in compensation from Cognizant for the year ended December 31, 2015, and $6,723,049 in compensation from Cognizant for the year ended December 31, 2014.

22. Defendant Thomas M. Wendel ("Wendel") has been a director of the Company since June 2001. During the Relevant Period, Wendel was Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee. He received $293,996 in compensation from Cognizant for the year ended December 31, 2015, and $253,454 in compensation from Cognizant for the year ended December 31. 2014.

23. Defendant John E. Klein ("Klein") has been a director of the Company since March 1998 and has served as the Chairman of the Board since December

2003. During the Relevant Period, Klein was Chairman of the Compensation Committee and a member of the Audit and Nominating and Corporate Governance Committees. Klein received $440,441 in compensation from Cognizant for the year ended December 31, 2015, and $373,954 in compensation from Cognizant for the year ended December 31. 2014.

24. Defendant Zein Abdalla ("Abdalla") has been a director of the Company since September 2015. During the Relevant Period, Abdalla was a member of the Audit and Nominating and Corporate Governance Committees. Abdalla received $180,423 in compensation from Cognizant for the year ended December 31, 2015.

25. Defendant Jonathan C. Chadwick ("Chadwick") has been a director of the Company since April 2016. During the Relevant Period, Chadwick was a member of the Audit Committee.

26. Defendant Leo S. Mackay, Jr. ("Mackay") has been a director of the Company since September 2012. During the Relevant Period, Mackay was a member of the Audit Committee. He received $289,496 in compensation from Cognizant for the year ended December 31, 2015, and $251,954 in compensation from Cognizant for the year ended December 31. 2014.

27. Defendant Maureen Breakiron-Evans ("Breakiron-Evans") has been a director of the Company since May 2009. During the Relevant Period, Breakiron-

Evans was Chairman of the Audit Committee and a member of the Nominating and Corporate Governance Committee. She received $314,804 in compensation from Cognizant for the year ended December 31, 2015, and $271,454 in compensation from Cognizant for the year ended December 31. 2014.

28. Defendant Robert E. Weissman ("Weissman") has been a director of the Company since May 2001. During the Relevant Period, Weissman was Chairman of the Nominating and Corporate Governance Committee and a member of the Compensation Committee. He received $298,804 in compensation from Cognizant for the year ended December 31, 2015, and $255,454 in compensation from Cognizant for the year ended December 31. 2014.

29. Defendant John N. Fox, Jr. ("Fox") has been a director of the Company since December 2007. During the Relevant Period, Fox was a member of the Compensation and Nominating and Corporate Governance Committees. He received $287,996 in compensation from Cognizant for the year ended December 31, 2015, and $251,954 in compensation from Cognizant for the year ended December 31. 2014.

30. Defendant Narayanan has been a director of the Company since December 2003. Narayanan's career at Cognizant started in 1994 when he served as Chief Technology Officer at the Company's Indian subsidiary and was promoted to President of that unit in 1996. Thereafter, in 1998, Narayanan was

named President of Cognizant, being elevated to the role of CEO and President in 2003, positions he held until 2006. He became the Company's Executive Vice Chairman in 2007, a position he held until November 2014. During the Relevant Period, Narayanan was the Vice Chairman of the Board and served on the Executive Committee with defendants D'Souza and Coburn. Narayanan received $278,996 in compensation from Cognizant for the year ended December 31, 2015, and $338,921 in compensation from Cognizant for the year ended December 31. 2014.

31. Defendant Michael Patsalos-Fox ("Patsalos-Fox") has been a director of the Company since July 2012. During the Relevant Period, Patsalos-Fox was a member of the Compensation and Nominating and Corporate Governance Committees. He received $287,996 in compensation from Cognizant for the year ended December 31, 2015, and $251,954 in compensation from Cognizant for the year ended December 31. 2014.

32. Defendant Rajeev Mehta ("Mehta") is the President of Cognizant. Mehta has worked at Cognizant since 1997, and prior to his role as President, he served as Chief Executive of IT services. In that position, he led industry, geographic, and delivery operations globally.

33. Defendant Ramakrishnan Chandrasekaran ("Chandrasekaran") is the Company's Executive Vice Chairman for Cognizant's India operations.

34. Defendants Coburn, D'Souza, McLoughlin, Wendel, Klein, Abdalla, Chadwick, Weissman, Mackay, Breakiron-Evans, Mackay, Fox, Patsalos-Fox, Mehta, Chandrasekaran, and Narayanan are collectively referred to herein as the "Individual Defendants."

35. Defendants Abdalla, D'Souza, Mackay, Weissman, Breakiron-Evans, Fox, Narayanan, Wendel, Chadwick, Klein, and Patsalos-Fox are collectively referred to herein as the "Director Defendants."

36. Defendants D'Souza, Coburn, Breakiron-Evans, Fox, Klein, and McLoughlin are collectively referred to herein as the "Insider Selling Defendants."

37. Defendants Abdalla, Mackay, Breakiron-Evans, Wendel, Chadwick, and Klein are sometimes collectively referred to herein as the "Audit Committee Defendants."

III. THE INDIVIDUAL DEFENDANTS' DUTIES

38. By reason of their positions as officers, directors, and/or fiduciaries of Cognizant and because of their ability to control the business and corporate affairs of Cognizant, the Individual Defendants owed Cognizant and its shareholders fiduciary obligations of good faith, loyalty, and candor and were and are required to use their utmost ability to control and manage Cognizant in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of Cognizant and its shareholders so as to benefit

all shareholders equally and not in furtherance of their personal interest or benefit. Each director and officer of the Company owes to Cognizant and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the Company and in the use and preservation of its property and assets and the highest obligations of fair dealing.

39. The Individual Defendants, because of their positions of control and authority as directors and/or officers of Cognizant, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein. Because of their advisory, executive, managerial, and directorial positions with Cognizant, each of the Individual Defendants had knowledge of material non-public information regarding the Company.

40. To fulfill their duties, the officers and directors of Cognizant were required to exercise reasonable and prudent supervision over the management, policies, practices, and controls of the Company. By virtue of such duties, the officers and directors of Cognizant were required to, among other things:

a. Exercise good faith to ensure that the affairs of the Company were conducted in an efficient, business-like manner so as to provide the highest quality performance of their business;

b. Exercise good faith to ensure that the Company was operated in a diligent, honest and prudent manner and complied with all applicable federal and state laws, rules, regulations and requirements, and all contractual obligations, including acting only within the scope of its legal authority; and

c. When put on notice of problems with the Company's business practices and operations, exercise good faith in taking appropriate action to correct the misconduct and prevent its recurrence.

41. Pursuant to the Audit Committee Charter, all members of the Audit Committee were and are responsible for, among other things, overseeing: "[1] [t]he integrity of the Company's financial information reported to the public and the adequacy of the Company's internal controls; [2] [t]he qualifications, independence and performance of the Company's independent registered public accounting firm (the "independent auditors"); [3] [t]he performance of the Company's internal audit function; and [4] [t]he review and evaluation of enterprise risk management." Further, according to the Audit Committee Charter:

> The Audit Committee shall review and discuss with the Company's management and independent auditor the Company's audited financial statements . . . .
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> The Audit Committee shall consider whether it will recommend to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K.
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> * * *
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> The Audit Committee shall direct management to advise the Audit Committee in the event that the Company proposes to disclose interim financial information prior to completion of the independent auditor's review of interim financial information.
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> * * *
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> The Audit Committee shall:

> (i) Review with management and independent auditors the earnings press releases; and
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> (ii) Periodically discuss with management, policies regarding earnings release, financial information and earnings guidance provided to analysts.

42. The Company also maintains an Anti-Corruption Policy which applies to all Cognizant employees, including directors and officers, as well as all Cognizant business units and subsidiaries, joint ventures over which Cognizant has operational control, and business partners (collectively, "Associates"). Per the Anti-Corruption Policy, Cognizant commits to "doing business ethically and complying with all anti-corruption laws that may apply to the Company including the FCPA, the U.K. Bribery Act 2010 (the "UK Bribery Act"), and local anti-corruption laws."

43. The Anti-Corruption Policy states, "[n]o one – neither Cognizant employees nor others acting on Cognizant's behalf – is permitted to offer, make, promise, request, or accept a bribe, or to otherwise make any improper payment in connection with Cognizant's business." To this end, Cognizant's Anti-Corruption Policy states, in relevant part:

> Cognizant's rule about corruption is simple: we never pay bribes or act corruptly.
>
> * * *
>
> This [Anti-Corruption] Policy prohibits bribery of Government Officials and private persons, or making payments to relatives, friends,

> or colleagues of a private person or of a Government Official to obtain an unfair business advantage.

44. Moreover, Cognizant also has a Core Values and Code of Ethics ("Code of Ethics"), which applies to all of the Individual Defendants as directors and officers. According to Cognizant's Code of Ethics, the Company's officers, directors and employees are charged with:

> **PREVENTING CORRUPT ACTIVITIES**. **No bribery.** Bribing a government official is illegal no matter where it occurs. Specifically, we do not corruptly give or offer, directly or indirectly, anything of value, including cash, gifts, favors, charitable and political contributions, or hospitality/entertainment, to a government official to obtain or maintain business or any other advantage for the Company. The same is true for private individuals doing business with Cognizant.

* * *

> **NEVER ENGAGE IN INSIDER DEALING**. Through our work at Cognizant, some of us may learn about material, nonpublic (or "inside") information, potentially relating to our Company as well as other companies with which we work. Trading securities, whether Cognizant's or a company with which we do business, based on inside information is illegal and is strictly prohibited. Also, we may not give any such inside information – or "tip" – to others who might make trades based on it.

45. Finally, the Company has an Insider Trading Policy (the "Insider Trading Policy"). The Insider Trading Policy is designed to prevent insider trading or the appearance of impropriety, to satisfy the Company's obligation to reasonably supervise the activities of Company personnel, and to help Company personnel avoid the severe consequences associated with violations of insider trading laws. It

applies to the Company's directors, officers, and employees and continues to apply following the termination of any such individual's service to or employment with the Company until any material, nonpublic information possessed by such individual has become public or is no longer material.

46. According to the Insider Trading Policy, "It is illegal for any director, officer or employee of the Company to trade in the securities of the Company while in the possession of material, nonpublic information about the Company. It is also illegal for any director, officer, or employee of the Company to disclose material, nonpublic information about the Company to others who may trade on the basis of that information."

IV. SUBSTANTIVE ALLEGATIONS

A. Cognizant's Success as an Outsourcing Business Was Driven by Its Use of SEZs to Lower the Company's Taxes and Costs

47. Cognizant is a leading provider of IT outsourcing services, with its principal operations in India. Cognizant began as an Indian company headquartered in Chennai and even though the Company later moved its headquarters to the United States, the bulk of Cognizant's operations remain in India. During the Relevant Period, more than 150,000 of Cognizant's approximately 200,000 employees, 75% of the Company's workforce, were located in India.

48. Cognizant's success was mainly driven by its "global delivery model," in which the Company leveraged the lower labor, tax, and other costs of doing business in India to provide highly competitive prices. The Individual Defendants repeatedly told investors that the Company's business strategy, spearheaded by Cognizant's ability to provide lower cost services, revolved around a "dual mandate" which was helping clients achieve operational efficiency by reducing their IT costs and redeploying those savings into new digital technologies. For instance, defendant McLoughlin told investors at an August 12, 2015 investor conference, "[W]e're seeing clients continue to look for partners who can execute on this dual mandate. So help me drive down my costs of my current operations . . . and take those dollars and really deploy them into meaningful digital transformation. . . . [We] think that will continue to be a driver of growth as we move forward."

49. The Individual Defendants repeatedly touted Cognizant's success in delivering cost savings to its clients as key to its execution of this dual mandate. For example, at a September 6, 2016 investor conference, defendant D'Souza stated, "[W]e've been very successful at, while maintaining our margins, being able to achieve the cost of ownership that the clients want." The SEZs were the crown jewel in Cognizant's business model. Indeed, Cognizant's website stated

that India was "a crucial piece of [that] global business strategy" because of the cost savings that centralizing operations in India produced.

50. Licenses to develop and/or operate within SEZs are awarded by Indian central and regional governments. Companies who receive these licenses are guaranteed a plethora of lucrative benefits, including numerous tax exemptions and holidays, easing of various customs and labor regulations and procedures, and heightened access to credit, infrastructure, and other resources. Additionally, businesses operating within SEZs are entitled to "self-certify" compliance with applicable regulatory regimes, including labor and customs laws and regulations, and have access to expedited dispute resolution mechanisms.

51. Cognizant built and operated in India at least ten "global delivery centers" (large IT campuses that housed thousands of employees) and aggressively pursued SEZ licensing for those facilities. In particular, Cognizant constructed or expanded at least four of its ten SEZ-licensed Indian global delivery centers during the Relevant Period: those located in Kolkata, Coimbatore, Hyderabad, and the Company's Indian headquarters in Chennai.

52. Building and expanding SEZ-licensed facilities was vital to the Company's performance in multiple ways. First, building and expanding SEZ facilities increased Cognizant's ability to increase its revenue because the more employees the Company could put to work at its SEZ facilities, the more revenue it

would book. Accordingly, analysts repeatedly focused on the Company's headcount and "utilization rates," *i.e.*, the extent to which employees' time was being billed to client projects. For instance, in a July 25, 2016 report, Deutsche Bank analysts stated, "the company continues to focus on retention efforts and we believe headcount remains an important leading indicator and expect headcount growth to accelerate ahead of revenue acceleration."

53. Second, as noted above, the SEZ status of Cognizant's Indian operations allowed the Company to significantly reduce its tax and operating costs, which in turn was critical to its financial performance. Indeed, in reports filed with the SEC throughout the Relevant Period, Cognizant reported that the tax benefits the Company derived from its SEZ licenses alone increased the Company's net income by hundreds of millions of dollars. Cognizant acknowledged that these benefits materially impacted the Company's financial condition, and that "[c]hanges in Indian tax laws" that "would reduce or deny SEZ tax benefits could have a material adverse effect on our business, results of operations and financial condition."[1]

54. Third, the enormous tax and operating cost savings Cognizant generated through the SEZ status of its Indian operations gave Cognizant a significant competitive advantage among its outsourcing peers and was

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[1] *See, e.g.*, Cognizant's Annual Report, on Form 10-K, filed with the SEC on February 25, 2016, at 27 ("2015 Form 10-K").

instrumental in helping the Company garner new business through the delivery of lower cost IT services to its US and European clients. Indeed, during the Company's August 5, 2016 earnings call, defendant Coburn told investors that cost-cutting "remains absolutely essential to almost every client" the Company has, and Cognizant's SEC filings listed "competitive pricing of services" as one of the "principal competitive factors affecting the markets for our services."[2]

B. Planned Tax Law Changes in India Put Increased Pressure on Cognizant to Obtain SEZ Licensing for Its Facilities As Quickly As Possible

55. During the Relevant Period, looming changes to Indian tax law that would phase out tax benefits for SEZs established after April 2017 put increased pressure on Cognizant to obtain valuable SEZ licensing for its Indian operations as quickly as possible. In February 2015, India's Finance Minister, Arun Jaitley, sent signals that the government could in the future move to limit tax benefits for newly constructed SEZs. The effect of this proposed change in the treatment of SEZs would have been devastating to Cognizant's business model.

56. This put increased pressure on Cognizant to obtain valuable SEZ licensing for its Indian operations as quickly as possible

57. Given the enormous pressure it faced to obtain SEZ licensing for its facilities prior to the phasing out of tax benefits for new operations, Cognizant

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[2] *See, e.g.*, Cognizant's Annual Report, on Form 10-K, filed with the SEC on February 27, 2015, at 11 ("2014 Form 10-K").

embarked on an SEZ development spree. In early September 2015, Cognizant signed agreements with the Tamil Nadu state government to expand its major global delivery center in Coimbatore and its Indian headquarters in Chennai.

58. Shortly thereafter, in March 2016, Cognizant received approval from the Telangana state government to construct a massive SEZ facility in the state's capital, Hyderabad, which would house 8,500 employees.

59. In August 2016, Cognizant received approval to construct an SEZ facility in Kolkata, West Bengal, occupying a sprawling fifteen acre plot.

60. Interestingly, while Cognizant was having great success procuring SEZ licensing for its Kolkata facilities, the state government refused to grant licenses to the Company's competitors, including Wipro Limited and Infosys Limited. Both Wipro and Infosys had purchased fifty acres of land apiece in the region based on the previous state administration's assurances that their projects would receive SEZ status, only to have the new state government decline their applications.

C. The Individual Defendants Highlighted the Benefits of Cognizant's SEZ Licenses as a Basis of the Company's Strong Financial Performance and Assured Investors that Cognizant Did Not Violate Anti-Corruption Laws

61. During the Relevant Period, the Individual Defendants repeatedly emphasized that the Company's SEZ facilities were the foundation of its strong financial performance. At the same time, the Individual Defendants also assured

investors that they had legitimately obtained the SEZ licenses, publicly stating that Cognizant did not make any improper payments to government officials, and that the Company maintained a system of adequate internal controls precisely to prevent such wrongdoing.

1. The Individual Defendants Reported that Cognizant's SEZ Operations Were a Crucial Driver of Its Strong Financial Performance

62. When reporting Cognizant's financial results, the Individual Defendants repeatedly highlighted the benefits the Company received from the SEZ status of its Indian operations. For instance, in the 2014 Form 10-K, Cognizant explained that its financial results were driven in significant part by its SEZ facilities, stating that "the effect of the income tax holidays granted by the Indian government was to reduce the overall income tax provision and increase net income by approximately [$183 million] . . . and increase diluted EPS by $0.30." In its 2015 Form 10-K, Cognizant again emphasized that its results were driven significantly by its Indian SEZ operations, reporting that these facilities had "increase[d] net income by approximately $201.4 million . . . and increase[d] diluted EPS by $0.33," a material increase over the prior year.

63. The Individual Defendants went out of their way to represent to investors that expanding Cognizant's SEZ facilities was a key part of its business strategy. For instance, in the Company's SEC filings, the Individual Defendants

repeatedly stated that "[w]e pursue an international strategy that includes expanded infrastructure investments in India. . . . We have constructed and expect to continue to operate most of our newer development facilities in SEZs," and Cognizant would continue to "[l]ocate most of our new development center facilities in tax incentivized areas." *See* 2015 Form 10-K, at 47, 58, 92.

64. The Individual Defendants also assured investors that Cognizant was continuing to pursue this strategy by making significant capital expenditures to grow and expand its SEZ operations. For instance, in its second quarter 2016 Form 10-Q, Cognizant stated that, "[a]s of June 30, 2016, we had outstanding fixed capital commitments of approximately $184.0 million related to our India development center expansion program to build new state-of-the-art IT development and delivery centers." *See* Cognizant Quarterly Report, on Form 10-Q, filed with the SEC on August 5, 2016, at 19.

2. The Individual Defendants Caused Cognizant to Falsely State that it Was Not Making Improper Payments to Foreign Officials and Maintained a System of Adequate Internal Controls to Prevent Such Improper Payments

65. At the same time that the Individual Defendants were discussing the Company's strong financial results due to Cognizant's SEZ strategy, they made sure to tell investors that Cognizant was not bribing foreign officials, and that the Company was taking measures to ensure compliance with anti-corruption laws.

66. The Individual Defendants knew that Cognizant was required to adhere to the requirements of the FCPA, which prohibits payments to foreign government officials for the purpose of obtaining business. Moreover, FCPA violations include not only direct payments by the company in question, but also payments to foreign officials through third parties or shell companies.

67. Because Cognizant's operations are principally located outside of the United States, the Company's compliance with anticorruption laws and its maintenance of adequate internal controls to ensure continued compliance were critical to investors and therefore should have been monitored carefully by the Individual Defendants. This was particularly true of Cognizant's Indian business, not only because it comprised the vast majority of the Company's operations and was crucial to Cognizant's success, but because India has an unfortunate history as a place where corruption of the kind sought to be deterred by the FCPA occurs. For example, a *Forbes* article published on February 11, 2016 stated that corruption watchdogs ranked India as one of the world's most corrupt countries during the Relevant Period.[3]

68. U.S. companies' Indian operations were an increasingly prominent target of FCPA enforcement programs. In fact, over the past decade, "both the

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[3] Ronak D. Desai, *India Remains One of the Most Corrupt Countries in the World,* Forbes (Feb. 11, 2016) https://www.forbes.com/sites/ronakdesai/2016/02/11/india-remains-one-of-the-most-corrupt-countries-in-the-world/#1a20816e155f.

DOJ and the SEC have targeted misconduct in India across a wide range of industries from manufacturing and construction to oil and information technology."[4]

69. None of this was lost on the Individual Defendants as Cognizant repeatedly acknowledged that noncompliance with anticorruption laws, and failure to implement adequate control systems to monitor and enforce compliance, could have serious negative consequences for the Company. In reports filed with the SEC, Cognizant stated:

> Among other anti-corruption laws and regulations, we are subject to the United States Foreign Corrupt Practices Act, or FCPA, which prohibits improper payments or offers of improper payments to foreign officials to obtain business or any other benefit, and the U.K. Bribery Act. Violations of these laws or regulations could subject us to criminal or civil enforcement actions, including fines and suspension or disqualification from government contracting or contracting with private entities in certain highly regulated industries, any of which could have a material adverse effect on our business, results of operations and financial condition.[5]

70. The Individual Defendants have always maintained that the Company has complied with FCPA regulations. As noted above, Cognizant's Code of Ethics states: "We do not corruptly give or offer, directly or indirectly, anything of value to a government official to obtain or maintain business or any other advantage for the Company."

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[4] http://documents.jdsupra.com/143b9040-f59c-4942-bfdc-9824c8fb9b7c.pdf.

[5] *See, e.g.*, 2014 Form 10-K, at 28; 2015 Form 10-K, at 28; 2016 Form 10-K, at 26.

71. Cognizant's Code of Conduct also represented that the Company would take several specific actions to vet payments to foreign officials and ensure their legitimacy, stating that any such payments would receive approval from Cognizant's Legal Department.

72. In addition, the Code of Conduct directed investors to the Company's Anticorruption Policy, which was also published on Cognizant's website[6] and described how the Company ensured compliance with anticorruption laws, as described above.

73. Pursuant to the Company's Anticorruption Policy,[7] Cognizant assured investors that the Company would:

- "never pay, promise, offer or authorize a bribe or anything of value to a government official or any other individual in order to obtain business for the Company or to secure an improper advantage for the Company";
- "conduct risk assessments, in consultation with our Legal Department, for certain activities involving officials in high-risk countries for corrupt practices";

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6 https://www.cognizant.com/about-cognizant-resources/AnticorruptionPolicy.pdf.

7 https://www.cognizant.com/InsightsWhitepapers/AnticorruptionPolicy.pdf.

- "ensure that entries into the Company's books and records are accurate, and that all Company internal controls and procedures are maintained and followed when making payments from the Company"; and
- "comply with, and enforce, all the Company's requirements for documentation of expenses and payment requests . . . consistent with our Core Values and Standards of Business Conduct on transparency."

74. Cognizant also publicly stated that it was taking a number of additional steps to ensure Company compliance with anticorruption laws. In the Anticorruption Policy, Cognizant told investors, among other things, that its Legal Department would review "red flag" transactions, including those transactions involving a government-related counterparty, and that "[p]eriodic audits of compliance shall be performed by each business unit in coordination with our Legal Department" to "[m]onitor [a]nd [a]udit [c]ompliance [w]ith [the] Anticorruption Policy."

75. Cognizant touted both its Anticorruption Policy and its Code of Conduct in SEC filings throughout the Relevant Period. For example, Cognizant's 2014 Form 10-K stated, "we make available our code of business conduct and ethics entitled 'Cognizant's Core Values and Standards of Business Conduct' free of charge through our website. We intend to disclose any amendments to, or

waivers from, our code of business conduct and ethics that are required to be publicly disclosed pursuant to rules of the SEC and the NASDAQ Global Select Market by posting it on our website."

76. Cognizant also stated in its SEC filings that it maintained an adequate system of internal accounting controls, as mandated by the FCPA and the Sarbanes-Oxley Act ("SOX"). The FCPA imposes accounting requirements that operate as a complement to, and a means of enforcing, its anti-bribery provisions. Specifically, the FCPA requires issuers to keep books and records that accurately and fairly describe their transactions, and to develop and maintain an adequate system of internal accounting controls, in order to track payments and prevent bribery. SOX mandates, in part, that internal controls must be designed so as to "ensure that material information relating to the company . . . is made known to" officers responsible for certifying the accuracy of the company's public reports.

77. In connection with Cognizant's SEC filings throughout the Relevant Period, and pursuant to SOX, defendants D'Souza and McLoughlin signed certifications representing to investors that Cognizant's internal reporting controls were "effective" and were designed to "provide reasonable assurance regarding the reliability" of Cognizant's financial reports; that Cognizant's SEC filings were free from material misstatements and omissions, and "fairly present[ed], in all material respects, the financial condition and results of operations of the Company"; and

that there were no "significant deficiencies and material weaknesses in the design or operation" of Cognizant's internal controls that had not been disclosed.

78. The cumulative effect of the statements summarized above was to drive Cognizant's stock price significantly higher throughout the Relevant Period. Specifically, the Individual Defendants' statements caused Cognizant's stock price to rise from $46.50 per share at the start of the Relevant Period to a Relevant Period high of more than $68 per share – an increase of more than 46%.

79. Unfortunately, as detailed below, the Individual Defendants were covering up the truth of Cognizant's bribery scheme, a systematic wrongdoing that went to the core of Cognizant's operations and involved the highest levels of Cognizant management.

D. The Truth Is Finally Revealed

80. On September 30, 2016, Cognizant announced in a Form 8-K filed with the SEC, that its Board was "conducting an internal investigation into whether certain payments relating to facilities in India were made improperly and in possible violation of the U.S. Foreign Corrupt Practices Act and other applicable laws."

81. In that same filing, Cognizant also announced that defendant Coburn had resigned amidst the Board's corruption investigation and was being replaced as President by, then-CEO of IT Services, defendant Mehta.

82. Analysts and investors were shocked by Cognizant's September 30, 2016 disclosures. In a September 30, 2016 report, Argus analysts downgraded Cognizant, characterizing the "announced resignation of the company's president amid a corruption investigation in India" as "blockbuster news."[8] These analysts observed that "[g]iven that a top executive has resigned, . . . we see risks that the illegal practices could be extensive and long-lived. Additional agencies such as DOJ and SEC could conduct investigations of their own, and this matter could overhang the CTSH shares [for] a significant amount of time." *Id.* at 1. Similarly, in a September 30, 2016 report, RW Baird analysts expressed deep concern that illegal payments made to procure SEZ permitting could have profoundly adverse consequences for Cognizant, noting that, "[w]hile we haven't seen this in the past, we consider possible outcomes to include reputational damage – could hurt revenue growth via client loss/limited client wins, fines and potential limits on operations in certain areas."[9]

83. On September 30, 2016, in response to the Company's disclosures, Cognizant's stock price swiftly declined. The Company's stock price fell more

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[8] Jim Kelleher, CFA, *Change in Rating: Downgrading to HOLD on Corruption Probe* 1-2 (Argus Research Co. Sept. 30, 2016).

[9] Jochelle Mendonca, Cognizant Investigating Improper Payments Paid in India; Informs DOJ, SEC, ETtech (Oct. 1, 2016, 09:51 IST), http://tech.economictimes.indiatimes.com/news/corporate/cognizant-investigating-improper-payments-paid-in-india-informs-doj-sec/54607942.

than 13%, or $7.29 per share, declining from $55.00 to $47.71 on the year's highest trading volume.

84. On November 7, 2016, Cognizant filed its third quarter results on Form 10-Q with the SEC. In that filing, the Company admitted that Cognizant's "senior management may have participated" in making – or had allowed to be made – corrupt payments to procure licenses for the Company's Indian facilities:

> During the closing process for the third quarter of 2016, based on the results of the internal investigation to date, we concluded that as of December 31, 2015 and in subsequent interim periods, ***we did not maintain an effective control environment***. ***Specifically, we did not maintain an effective tone at the top as certain members of senior management may have participated in or failed to take action to prevent the making of potentially improper payments by either overriding or failing to enforce the controls established by the Company relating to real estate and procurement principally in connection with permits for certain facilities in India***. . . .
>
> ***As a result of the foregoing,*** we have determined that a material weakness existed as of December 31, 2015, and continues to exist in subsequent interim periods, in our internal control over financial reporting**.**
>
> * * *
>
> To date, the investigation has identified a total of approximately $5.0 million in payments that may have been improper. During the three months ended September 30, 2016, we recorded an out-of-period correction related to $3.1 million of such payments that were previously capitalized that should have been expensed. The remaining $1.9 million of such payments remains under investigation. The recorded correction resulted in an increase of selling, general and administrative expenses of $3.1 million, a reduction in depreciation and amortization expense of $0.4 million, and a reduction in property and equipment, net of $2.7 million.

(Emphasis added.)

85. On November 7, 2016, Cognizant held its Q3 2016 earnings conference call with analysts and investors. During this call, defendant D'Souza reiterated that the Company's senior management was involved in the scheme. He further stated that the members of senior management who participated in the scheme were no longer with the Company:

> [W]e discovered in the course of the investigation that certain members of senior management may have been aware of or participated in the matters under investigation. Any such conduct would be inconsistent with our core values. Based on the results of the investigation to-date, those who may have been involved are no longer with the company or in the senior management position.

86. Defendant D'Souza's statement leaves little doubt that defendant Coburn, the Company's former President, was personally involved in the bribery scheme.

87. On February 8, 2017, in connection with its fourth quarter 2016 earnings call, Cognizant provided another update to its ongoing investigation of corrupt payments made to Indian officials. The Company disclosed that it had discovered another $1 million in improper payments, bringing the total amount of bribes paid to $6 million.

88. On March 1, 2017, Cognizant filed a Form 10-K with the SEC (the "2016 Form 10-K"), which disclosed that the bribery scheme had been ongoing since at least 2010. Specifically, the 2016 Form 10-K stated: "To date, the

investigation has identified a total of approximately $6 million in payments made between 2010 and 2015 that may have been recorded improperly."

89. The 2016 Form 10-K also demonstrated that the bribery scheme was widespread and involved multiple members of senior management and other Company employees. Under "Remediation Plans," the 2016 Form 10-K reiterated that multiple members of senior management were involved with the bribery scheme and acknowledged that additional Cognizant employees may be disciplined:

> [T]he members of senior management who may have participated in or been aware of the making of the identified potentially improper payments and failed to take action to prevent the making of the identified potentially improper payments were no longer with the Company or in a senior management position as of December 31, 2016. Additional personnel actions have been taken with respect to other employees and further actions may be required.

90. The Company further acknowledged that the damages to the Company due to the bribery scheme were ongoing and severe, stating: "In 2016, we incurred $27 million in costs related to the FCPA investigation and related lawsuits. We expect to continue to incur expenses related to these matters in 2017 and future periods."

E. The False and Misleading Statements Issued by Cognizant During the Relevant Period

91. On February 27, 2015, Cognizant filed its 2014 Form 10-K with the SEC, which was signed by defendants D'Souza, McLoughlin, Klein, Narayanan,

Wendel, Weissman, Fox, Breakiron-Evan, Patsolos-Fox, and MacKay. The 2014 Form 10-K described the "income tax holiday benefits" that Cognizant's "Indian subsidiaries" had received from the "Indian government" as follows:

> Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the Indian government for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years. Changes in Indian tax laws that would reduce or deny SEZ tax benefits could have a material adverse effect on our business, results of operations and financial condition.

92. The 2014 Form 10-K quantified the "effect of the income tax holidays granted by the Indian government" as follows:

> For the years ended December 31, 2014, 2013, and 2012, the effect of the income tax holidays granted by the Indian government was to reduce the overall income tax provision and increase net income by approximately [in thousands] $182,973, $146,326, and $151,789, respectively, and increase diluted EPS by $0.30, $0.24, and $0.25, respectively.

93. Cognizant also reported that, "[a]s of December 31, 2014, we had outstanding fixed capital commitments of approximately $20,452 [in thousands] related to our India real estate development program to build new Company-owned state-of-the-art IT development and delivery centers." The 2014 Form 10-K further stated, "We have constructed and expect to continue to locate most of our newer development facilities in SEZs."

94. The above statements made in the 2014 Form 10-K were materially false and misleading when made. It was materially false and misleading for the

Individual Defendants to tout the "income tax holiday benefits" that the Company received from the "Indian government" when, in fact, the Company was obtaining those benefits through the bribery scheme detailed herein. Similarly, it was materially false and misleading for the Individual Defendants to state that the SEZ facilities meaningfully "increase net income . . . and increase diluted EPS" when the Company was obtaining such benefits through the bribery scheme detailed herein. It also was materially false and misleading for the Individual Defendants to state that the Company had "outstanding fixed capital commitments of approximately $20,452 [in thousands] related to our India real estate development program to build new Company-owned state-of-the-art IT development and delivery centers," when that figure included at least $4.1 million in bribes paid to government officials.

95. It also was misleading for the Individual Defendants to state that the Company would "locate most of our newer development facilities in SEZs," when Cognizant was obtaining licenses for its new SEZ facilities through the bribery scheme detailed herein.

96. The 2014 Form 10-K further stated: "In 2014, our revenue increased to $10,262.7 million compared to $8,843.2 million in 2013." The 2014 Form 10-K also stated that the "key drivers of our revenue growth in 2014" were: "[s]olid performance across all of our business segments"; "[s]ustained strength in the

North American market"; "[c]ontinued penetration of the European and Rest of World (primarily the Asia Pacific) markets"; "[i]ncreased customer spending on discretionary projects"; "[e]xpansion of our service offerings, including Consulting, IT IS, and BPS services"; "[i]ncreased penetration at existing customers"; and "[c]ontinued expansion of the market for global delivery of IT services and BPS."

97. The above statements in Cognizant's 2014 Form 10-K were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's revenue growth to legitimate business factors and conditions, including the "[e]xpansion of our service offerings" and "[c]ontinued expansion of the market for global delivery of IT services and BPS," when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

98. On May 4, 2015, Cognizant filed its Q1 2015 Form 10-Q with the SEC that was signed by defendants D'Souza and McLoughlin and stated, in part: "Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years." Cognizant also reported that, in response to the factors and risks affecting its business and operating results, the

Company planned to "[l]ocate most of our new development center facilities in tax incentivized areas."

99. The above statements made in the Q1 2015 Form 10-Q were materially false and misleading when made. It was materially false and misleading for the Individual Defendants to tout the "income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones" the Company had received, when, in fact, Cognizant was obtaining those benefits through the bribery scheme detailed herein.

100. It also was misleading for the Individual Defendants to cause Cognizant to state that it would "[l]ocate most of our new development center facilities in tax incentivized areas," when Cognizant was obtaining licenses for its new SEZ facilities through the bribery scheme alleged herein.

101. The Q1 2015 Form 10-Q further stated: "For the three months ended March 31, 2015, our revenue increased to $2,911.4 million compared to $2,422.3 million for the three months ended March 31, 2014." The 1Q 2015 Form 10-Q also stated that the "key drivers of our revenue growth during the three months ended March 31, 2015" were: "[o]ur November 2014 acquisition of TZ US Parent, Inc., or TriZetto"; "[s]olid performance across all of our business segments"; "[s]ustained strength in the North American market"; "[c]ontinued penetration of the European and Rest of World (primarily the Asia Pacific) markets"; "[i]ncreased

customer spending on discretionary projects"; "[e]xpansion of our service offerings, including consulting, infrastructure services, and business process services"; "[i]ncreased penetration at existing customers"; and "[c]ontinued expansion of the market for global delivery of IT services and business process services."

102. Cognizant's Q1 2015 Form 10-Q further reported that, "[t]he revenue growth from our Rest of World customers in 2015 was primarily driven by the India, Japan, Australia, Hong Kong, and Singapore markets and include[d] a negative currency impact of 5.8%."

103. The above statements made in the Q1 2015 Form 10-Q were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's financial performance to legitimate business factors and conditions, including the "[e]xpansion of our service offerings," "[c]ontinued expansion of the market for global delivery of IT and business process services," and "penetration of the Rest of World . . . markets," when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials. It also was materially false and misleading for the Individual Defendants to attribute Cognizant's financial performance to revenue growth "from our Rest of World customers in 2015," including India, when the Company's financial

performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

104. On May 4, 2015, Cognizant issued a press release, also incorporated in the Form 8-K filed with the SEC on the same date, setting forth its financial results for Q1 2015. The press release quoted defendant McLoughlin as attributing Cognizant's "strong" financial performance to the "organic growth of our core business": "Our strong revenue performance this quarter versus our guidance was driven primarily by organic growth of our core businesses and is a reflection that our strategy and offerings are resonating with our clients."

105. The above statements made by defendant McLoughlin in the May 4, 2015 press release and the Form 8-K were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's "strong" financial performance to legitimate business factors and conditions, including the "organic growth" of the Company's "core business," when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

106. Also on May 4, 2015, Cognizant hosted its Q1 2015 earnings conference call, during which defendant Coburn stated: "Finally, we saw good traction in the rest of the world which was up 7.6% sequentially after a 2.8%

negative currency impact. Growth was driven primarily by strength in key markets such as India and the Middle East."

107. Also during the call, defendant D'Souza stated: "Our sequential growth was well ahead of our previous guidance and was driven by strong organic growth in our core business coupled with solid in-line performance in the TriZetto business."

108. The above statements made by defendants Coburn and D'Souza during the Q1 2015 earnings conference call were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's financial performance to legitimate business factors and conditions, including "strong organic growth in our core business coupled with solid in-line performance in the TriZetto business" and "strength in key markets such as India" when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

109. In June 2015, Cognizant published and disseminated through its website its 2014 Sustainability Report.[10] In this report, Cognizant stated that it had performed thorough audits of anticorruption compliance and had discovered "no

[10] https://www.cognizant.com/worldwide_olt/Cognizant-Sustainability-Report-2014.pdf.

incidents" of corruption. Moreover, the Company claimed that it provided "role based anti-corruption training" to Cognizant employees:

> **SO 3 Training on Anti-Corruption.**
>
> In 2014, we introduced role based anti-corruption training to supplement the anti-corruption provisions of the general ethics training our employees received. We delivered 331,114 hours of Code of Ethics training through eLearning in 2014. We also delivered live Code of Ethics trainings to targeted audiences of over 18,000 associates in India and the Philippines. Our formal learning was supplemented in 2014 by education campaigns featuring games, quizzes and prizes.
>
> Additionally, our Enterprise Risk Management group conducts annual risk analysis surveys covering all business units and corporate functions to assess the likelihood of various risks including corruption.
>
> **SO4 Actions taken in response to incidents of corruption.**
>
> No incidents reported in 2014.

110. The above statements in Cognizant's 2014 Sustainability Report were materially false and misleading when made. It was misleading for the Individual Defendants to state that "no incidents" of "corruption" had been reported in 2014, when, among other things: (1) the Company's President and other members of senior management were involved in the bribery scheme detailed herein, and thus, were aware of such corruption; (2) the 2015 audit findings providing evidence of the Company's bribery already had been reported to senior Cognizant personnel at the time this report was published; and (3) Cognizant's senior management

participated in making the corrupt payments by overriding and/or failing to enforce the Company's internal financial controls designed to detect, report, and prevent such bribes.

111. It was further misleading for the Individual Defendants to state that extensive "anti-corruption training" had been provided to Cognizant employees, when, as reported by former Cognizant personnel, no adequate anticorruption compliance training was provided to Company personnel.

112. On August 6, 2015, Cognizant filed its Q2 2015 Form 10-Q with the SEC that was signed by defendants D'Souza and McLoughlin and that stated, in part: "Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years." Cognizant also reported that in response to the environment of factors affecting its business and operating results, the Company planned to "[l]ocate most of our new development center facilities in tax incentivized areas."

113. The above statements made in the Q2 2015 Form 10-Q were materially false and misleading when made. It was materially false and misleading for the Individual Defendants to tout the "income tax holiday benefits granted by the government of India for export activities conducted within Special Economic

Zones" the Company had received, when, in fact, Cognizant was obtaining such benefits through the bribery scheme detailed herein.

114. It also was misleading for the Individual Defendants to state that the Company would "[l]ocate most of our new development center facilities in tax incentivized areas," when Cognizant was obtaining licenses for its new SEZ facilities through the bribery scheme alleged herein.

115. The Q2 2015 Form 10-Q further stated: "For the three and six months ended June 30, 2015, our revenue increased to $3,085.1 million and $5,996.5 million compared to $2,517.1 million and $4,939.4 million for the three and six months ended June 30, 2014, respectively." The Q2 2015 Form 10-Q also stated that the "key drivers of our revenue growth during the three months ended June 30, 2015" were: "[o]ur November 2014 acquisition of TZ US Parent, Inc., or TriZetto"; "[s]olid performance across all of our business segments"; "[s]ustained strength in the North American market"; "[c]ontinued penetration of the European and Rest of World (primarily the Asia Pacific) markets"; "[i]ncreased customer spending on discretionary projects"; "[e]xpansion of our service offerings, including consulting, infrastructure services, and business process services"; "[i]ncreased penetration at existing customers"; and "[c]ontinued expansion of the market for global delivery of IT and business process services."

116. The Company in its Q2 2015 Form 10-Q also reported: "Revenue grew 30.0% from our Rest of World customers in the second quarter of 2015 . . . and was primarily driven by the India and Australia markets." Cognizant further noted: "The revenue growth from our Rest of World customers in the first half of 2015 grew 27.0% . . . and was primarily driven by the India, Australia and Japan markets."

117. The above statements made in the Q2 2015 Form 10-Q were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's financial performance to legitimate business factors and conditions, including the "[e]xpansion of our service offerings," "[c]ontinued expansion of the market for global delivery of IT and business process services," and revenue growth from "Rest of World customers," such as India, when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

118. On August 5, 2015, Cognizant held its Q2 2015 earnings conference call with analysts and investors. During the call, defendant Coburn stated: "Finally, we saw continued strong traction in the Rest of World, which was up 10.7% sequentially. Growth was driven primarily by strength in markets such as India and Australia."

119. The above statement made by defendant Coburn during the Q2 2015 earnings call was materially false and misleading when made. It was misleading for defendant Coburn to attribute Cognizant's financial performance to legitimate business factors and conditions, including strength in markets such as India, when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

120. On November 4, 2015, Cognizant held its 2015 third quarter earnings call with analysts and investors. During this call, defendants Coburn and D'Souza responded to an analyst's question about pressure on revenue growth in its "traditional" IT and business operations outsource business based in India. Defendants responded by stating that Cognizant continued to "take market share on the maintenance side" by "lowering cost" to help customers "become more efficient":

> [**Analyst**]: The question really is, **what sort of pressure are you seeing on revenue growth on the traditional side?** . . . And how does it change your notion of revenue visibility and impact on margins?
>
> [**Coburn**]: . . . I think you're right that **clients are trying to fund spending on innovation and on digital by optimizing the cost on run the business, which a lot of that is the traditional outsourcing**. And you've seen that in our numbers now for many quarters, where our technology and consulting business is growing faster than the outsourcing business.

> *But let's be clear.* We continue to do very well and take market share on the maintenance side. What customers are looking for is they're interested in how can we become more efficient, lower their cost of ownership on maintenance, so they can free up those dollars to move elsewhere. And we – Cognizant just has this incredible track record of delivering very high quality services, while continuously delivering productivity and efficiency.
>
> ***So I think we're probably better positioned than most others in the market in terms of lowering cost of ownership on maintenance*** . . . .
>
> * * *
>
> [D'Souza]: . . . I would say that the bulk of the productivity that we drive in the core business is through traditional means of driving productivity and efficiency that includes process kinds of things like Lean and Six Sigma and so on, and also more traditional tools in automation.

(Emphasis added.)

121. Also, during this call, defendant Coburn stated, "We're going to continue with the strategy that we've been executing successfully on, which is making long-term organic investments is the key – the core of our business."

122. The above statements made by defendants Coburn and D'Souza during the Q3 2015 earnings conference call were materially false and misleading when made. Specifically, it was materially false and misleading for D'Souza to attribute the Company's success in its "core business" to legitimate business factors and conditions, such as lowering cost through "traditional means of driving productivity and efficiency," when, in fact, Cognizant's efforts to lower costs were

accomplished in part by bribes paid to Indian government officials in exchange for SEZ licenses.

123. Similarly, it was materially false and misleading for Coburn to state that the Company's "core" "strategy that we've been executing successfully on" was "making long-term organic investments," when in fact, Cognizant's strategy and financial performance were driven in part by bribes paid to Indian government officials in exchange for SEZ licenses for the Company's facilities in India. It also was materially false and misleading for Coburn to state that the Company's ability to "take market share" was driven by legitimate factors, such as its ability to lower "cost of ownership" and the Company's "incredible track record of delivering very high quality services, while continuously delivering productivity and efficiency," when Cognizant's performance was driven, in part, by bribes paid to Indian government officials in exchange for SEZ licenses.

124. On November 5, 2015, Cognizant filed a Form 10-Q (the "Q3 2015 Form 10-Q") with the SEC that was signed by defendants D'Souza and McLoughlin and that stated, in part: "Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years." Cognizant also reported that in response to the environment of factors

affecting its business and operating results, the Company planned to "[l]ocate most of our new development center facilities in tax incentivized areas."

125. The above statements made in the Q3 2015 Form 10-Q were materially false and misleading when made. It was materially false and misleading for the Individual Defendants to tout the "income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones" the Company had received, when, in fact, Cognizant was obtaining those benefits through the bribery scheme detailed herein.

126. It also was misleading for the Individual Defendants to state that the Company would "[l]ocate most of our newer development facilities in SEZs," when Cognizant was obtaining licenses for its new SEZ facilities through the bribery scheme alleged herein.

127. Cognizant's Q3 2015 Form 10-Q also stated, "For the three and nine months ended September 30, 2015, our revenue increased to $3,187.0 million and $9,183.5 million compared to $2,581.0 million and $7,520.5 million for the three and nine months ended September 30, 2014, respectively." Cognizant's Q3 2015 Form 10-Q further stated that the "key drivers of our revenue growth during the three months ended September 30, 2015" were: "[o]ur November 2014 acquisition of TZ US Parent, Inc., or TriZetto"; "[s]olid performance across all of our business segments"; "[s]ustained strength in the North American market"; "[c]ontinued

penetration of the European and Rest of World (primarily the Asia Pacific) markets"; "[i]ncreased customer spending on discretionary projects"; "[e]xpansion of our service offerings, including consulting, infrastructure services, and business process service"; "[i]ncreased penetration at existing customers"; and "[c]ontinued expansion of the market for global delivery of IT and business process services."

128. Cognizant's Q3 2015 Form 10-Q further reported: "Revenue grew 31.0% from our Rest of World customers in the third quarter of 2015 . . . and was primarily driven by the India, Singapore and Australia markets."

129. The above statements made in the Q3 2015 Form 10-Q were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's financial performance to legitimate business factors and conditions, including the "[e]xpansion of our service offerings," "[c]ontinued expansion of the market for global delivery of IT and business process services," and penetration of the Rest of World markets, such as India, when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

130. On February 8, 2016, Cognizant held its 2015 fourth quarter earnings call with analysts and investors. During this call, defendant Coburn stated:

> Finally, we saw continued strong traction in the rest of the world, which was up by 6.8% sequentially and 34% year over year. Growth

> was driven primarily by strengths in key markets such as India, Singapore and the Middle East where we're seeing good traction with clients' adoption of digital technologies.

131. The above statement made by defendant Coburn during the Q4 2015 earnings conference call was materially false and misleading when made. Defendant Coburn misrepresented Cognizant's financial performance by falsely attributing the Company's financial results to legitimate business factors and conditions, including strength in "key markets such as India" where it had seen "good traction with clients' adoption of digital technologies," when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

132. On February 25, 2016, Cognizant filed the 2015 Form 10-K with the SEC that was signed by defendants D'Souza, McLoughlin, Klein, Narayanan, Wendel, Weissman, Fox, Breakiron-Evans, Patsalos-Fox, Mackay, and Abdalla. The 2015 Form 10-K touted the "income tax holiday benefits" that Cognizant's "Indian subsidiaries" had received from the "Indian government":

> Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the Indian government for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years. [If enacted, proposed changes in Indian tax laws] that would reduce or deny SEZ tax benefits could have a material adverse effect on our business, results of operations and financial condition.

133. The 2015 Form 10-K quantified the "effect of the income tax holidays granted by the Indian government" as follows:

> For the years ended December 31, 2015, 2014 and 2013, the effect of the income tax holidays granted by the Indian government was to reduce the overall income tax provision and increase net income by approximately $201.4 million, $183.0 million and $146.3 million, respectively, and increase diluted EPS by $0.33, $0.30 and $0.24, respectively.

134. Cognizant also reported that, "[a]s of December 31, 2015, we had outstanding fixed capital commitments of approximately $76.4 million related to our India real estate development program to build new Company-owned state-of-the-art IT development and delivery centers." The 2015 Form 10-K also stated, "We have constructed and expect to continue to operate most of our newer development facilities in SEZs."

135. The above statements made in the 2015 Form 10-K were materially false and misleading when made. It was materially false and misleading for the Individual Defendants to tout the "significant tax incentives" from the "Indian government" and related "benefits realized by us from Indian operations" the Company had received, when, in fact, Cognizant was obtaining those benefits through the bribery scheme detailed herein. Similarly, it was materially false and misleading for the Individual Defendants to state that the SEZ facilities meaningfully "increase net income . . . and increase diluted EPS" when the Company was obtaining such benefits through the bribery scheme detailed herein.

It also was materially false and misleading for the Individual Defendants to state that the Company had "outstanding fixed capital commitments of approximately $76.4 million related to our India real estate development program to build new Company-owned state-of-the-art IT development and delivery centers," when that figure included at least $4.1 million in bribes paid to government officials.

136. It also was misleading for the Individual Defendants to state that the Company would "continue to operate most of our newer development facilities in SEZs," when Cognizant was obtaining licenses for its new SEZ facilities through the bribery scheme alleged herein.

137. In the 2015 Form 10-K, the Company reported revenue of $12,416 million, an increase over the previous year's revenue of $10,262.7 million. The 2015 Form 10-K also stated that the "key drivers of our revenue growth" during the three months ended March 31, 2015 were: "[o]ur November 2014 acquisition of TZ US Parent Inc., or TriZetto"; "[s]olid performance across all of our business segments"; "[s]ustained strength in the North American market"; "[c]ontinued penetration of the European and Rest of World (primarily the Asia Pacific) markets"; "[i]ncreased customer spending on discretionary projects"; "[e]xpansion of our service offerings, including consulting, infrastructure services, and business process services"; "[i]ncreased penetration at existing customers"; and

"[c]ontinued expansion of the market for global delivery of IT and business process services."

138. Cognizant's 2015 Form 10-K went on to state, "In 2015, revenue from our Rest of World customers grew 29.9%, after a negative currency impact of 9.2%. In 2014, revenue from our Rest of World customers grew 23.6%. In 2015 and 2014, growth was primarily driven by the India, Singapore, Australia, Japan and Hong Kong markets."

139. The above statements made in the 2015 Form 10-K were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's financial performance to legitimate business factors and conditions, including the "[e]xpansion of our service offerings," "[c]ontinued expansion of the market for global delivery of IT and business process services," and "revenue from our Rest of World" customers and growth in the Indian market, when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

140. On May 6, 2016, the Company filed a Form 10-Q (the "Q1 2016 Form 10-Q") with the SEC that was signed by defendants D'Souza and McLoughlin and that stated, in part: "Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain

income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years." Cognizant also reported that in response to the environment of factors affecting its business and operating results, the Company planned to "[l]ocate most of our new development center facilities in tax incentivized areas." Cognizant also reported that, "[a]s of March 31, 2016, we had outstanding fixed capital commitments of approximately $76.2 million related to our India development center expansion program to build new state-of-the-art IT development and delivery centers."

141. The above statements made in the Q1 2016 Form 10-Q were materially false and misleading when made. It was materially false and misleading for the Individual Defendants to tout the "income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones" the Company had received, when, in fact, Cognizant was obtaining those benefits through the bribery scheme detailed herein. It also was materially false and misleading for the Individual Defendants to state that the Company had "outstanding fixed capital commitments of approximately $76.2 million related to our India development center expansion program to build new state-of- the-art IT development and delivery centers" when that figure included at least $4.1 million in bribes paid to government officials.

142. It also was misleading for the Individual Defendants to state that the Company would "[l]ocate most of our new development center facilities in tax incentivized areas," when Cognizant was obtaining licenses for its new SEZ facilities through the bribery scheme alleged herein.

143. The May 6, 2016 Form 10-Q also reported revenue for the three months ended March 31, 2016 of $3,202 million, an increase over first quarter 2015 revenue of $2,911.4 million. Cognizant's Q1 2016 Form 10-Q further stated that the "key drivers of our revenue growth during the three months ended March 31, 2016" were: "[s]olid performance across our Financial Services, Manufacturing/Retail/Logistics and Other business segments"; "[s]ustained strength in the North American market"; "[c]ontinued penetration of the European and Rest of World (primarily the Asia Pacific) markets"; "[i]ncreased customer spending on discretionary projects"; "[e]xpansion of our service offerings, including consulting and digital services"; "[c]ontinued expansion of the market for global delivery of IT and business process services"; and "[i]ncreased penetration at existing customers."

144. Cognizant's Q1 2016 Form 10-Q further reported that "[r]evenue from our Rest of World customers increased 24.9% . . . as compared to the quarter ended March 31, 2015." Cognizant further reported: "Revenue from our Rest of World

customers grew 24.9% . . . in the first quarter of 2016, and was primarily driven by the India, Singapore and Australia markets."

145. The above statements made in the Q1 2016 Form 10-Q were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's financial performance to legitimate business factors and conditions, including the "[e]xpansion of our service offerings," "[c]ontinued expansion of the market for global delivery of IT and business process services," and penetration of the Rest of World market, and India specifically, when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

146. On May 6, 2016, Cognizant also held its Q1 2016 earnings call with analysts and investors. During this call, defendant D'Souza described the Company's "strategic initiative" to "achieve new levels of efficiency" for "clients" in their "core transaction processing operations":

> The second strategic initiative is to help clients achieve new levels of efficiency and effectiveness in their core transaction processing operations by building platform-based solutions and industry utilities. . . . By applying a series of levers including process optimization, digitization and large-scale efficiencies, we're able to bring clients levels of effectiveness which they would have been unable to reach on their own.

147. During this call, Coburn also attributed the Company's strong retail and manufacturing results to "growing" client relationships and Cognizant's ability to "leverage" its technical expertise in "retail, manufacturing and logistics." Defendant Coburn added: "[T]he rest of the world was up 30 basis points sequentially, and almost 25% year-over-year. Growth was driven primarily by strength in key markets such as India, Australia and the Middle East where we're seeing good traction with client's adoption of digital technologies."

148. The above statements made by defendants D'Souza and Coburn during the Q1 2016 earnings call were materially false and misleading when made. It was misleading for D'Souza to attribute Cognizant's ability to deliver lower cost IT services to clients to wholly legitimate business factors and conditions, such as "applying a series of levers including process optimization, digitization and large-scale efficiencies," when, in fact, Cognizant's ability to deliver cost savings to its clients was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

149. Likewise, it was misleading for defendant Coburn to attribute Cognizant's financial performance to legitimate business factors and conditions, including "growing" client relationships and Cognizant's ability to "leverage" its technical expertise in "retail, manufacturing and logistics," and growth in the Indian market, when, in fact, the Company's financial performance was driven, in

material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

150. On May 24, 2016, defendant Coburn attended the J.P. Morgan Technology, Media and Telecom Conference, at which he spoke to analysts and investors. During the conference, defendant Coburn noted that Cognizant had seen "intense pressure" from its customers "to squeeze costs" and "to reduce cost of ownership." In this context, Coburn touted Cognizant's ability to respond to customer demand by "bring[ing] best practices to our clients for our traditional services, constantly lower[ing] their cost of ownership while maintaining our margin. So that's one piece of work. We're very good at that."

151. The above statements made by defendant Coburn during the J.P. Morgan Technology, Media and Telecom Conference were materially false and misleading when made. It was misleading for defendant Coburn to tout Cognizant's ability to "constantly lower [clients'] cost of ownership while maintaining [the Company's] margin," when Cognizant's ability to deliver cost savings to its clients while maintaining its margin was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

152. In August 2016, Cognizant published its 2015 Sustainability Report.[11] This report stated:

> G4-56 The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.
>
> As a global business, Cognizant is committed to complying with the laws of the countries in which we operate. . . .
>
> * * *
>
> Cognizant treats reports of misconduct seriously. All reports are reviewed by the Chief Compliance Officer, who appoints a responsible person as appropriate to conduct an informal inquiry or a formal investigation. If a violation of our Standards has occurred, appropriate disciplinary action will be taken against individuals involved as permitted by local laws. Additional steps will be taken if an alleged violation involves an Executive Officer or Board Member.
>
> Today's dynamic global marketplace demands that we achieve the highest standards of behavior. It is therefore critical that all of us at Cognizant make business decisions that align with our ethical principles. This means, in part, that we comply with all applicable anti-corruption laws, rules, and regulations wherever we conduct business.
>
> * * *
>
> SUB-CATEGORY: SOCIETY
>
> Aspect: Anti-corruption
>
> G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified
>
> There were no incidents reported in 2015.

[11] https://www.cognizant.com/about-cognizant-resources/cognizant-sustainability-report2015.pdf

> G4-SO4 Communication and training on anti-corruption policies and procedures
>
> We delivered 689,288 hours of Code of Ethics training through eLearning in 2015. We also delivered live Code of Ethics trainings to targeted audiences of over 203,947 associates in India. Our formal learning was supplemented in 2015 by education campaigns featuring games, quizzes and prizes. The percentage of Associates completing the online Code of Ethics training was 94%. Anti- Corruption training was provided for 500 hours and delivered for selected associates in Administration, Procurement, Sales & Marketing, Finance and other support Functions.
>
> Additionally, our Enterprise Risk Management group conducts annual risk analysis surveys covering all business units and corporate functions to assess the likelihood of various risks including corruption.
>
> G4-SO5 Confirmed incidents of corruption and actions taken
>
> There were no incidents reported in 2015.

153. It was misleading for the Individual Defendants to state that Cognizant had performed a thorough audit of the Company's anticorruption compliance and that "[t]here were no incidents reported in 2015" of "corruption," or even "significant risks" of "corruption," and that "we comply with all applicable anti-corruption laws, rules, and regulations wherever we conduct business," when, among other things: (1) the Company's President and other members of senior management were involved in the bribery scheme detailed herein, and thus, were aware of such corruption; (2) the 2015 audit findings providing evidence of the Company's bribery had already been reported to senior Cognizant personnel at the

time this report was published; and (3) Cognizant's senior management participated in making the corrupt payments by overriding and/or failing to enforce the Company's internal financial controls designed to detect, report, and prevent such bribes.

154. Additionally, it was misleading for the Individual Defendants to state that "Cognizant treats reports of misconduct seriously" and that "Cognizant is committed to complying with the laws of the countries in which we operate," because the Company's senior management overrode and/or failed to enforce Cognizant's internal financial controls in order to facilitate the bribery scheme.

155. It was further misleading for the Individual Defendants to tout the anticorruption training provided to Company personnel, when, as described above, no adequate anticorruption compliance training was provided.

156. On August 5, 2016, the Company filed a Form 10-Q with the SEC (the "Q2 2016 Form 10-Q") that was signed by defendants D'Souza and McLoughlin and that stated, in part: "Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones, or SEZs, for periods of up to 15 years." Cognizant also reported that in response to the environment of factors affecting its business and operating results, the Company planned to "[l]ocate most

of our new development center facilities in tax incentivized areas." Cognizant also report that, "[a]s of June 30, 2016, we had outstanding fixed capital commitments of approximately $184.0 million related to our India development center expansion program to build new state-of-the-art IT development and delivery centers."

157. The above statements made in the Q2 2016 Form 10-Q were materially false and misleading when made. It was materially false and misleading for the Individual Defendants to tout the "income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones" the Company had received, when, in fact, Cognizant was obtaining those benefits through the bribery scheme detailed herein. It also was materially false and misleading for the Individual Defendants to state that the Company had "outstanding fixed capital commitments of approximately $184.0 million related to our India development center expansion program to build new state-of-the-art IT development and delivery centers" when that figure included at least $4.1 million in bribes paid to government officials.

158. It also was misleading for the Individual Defendants to state that the Company would "[l]ocate most of our new development center facilities in tax incentivized areas," when Cognizant was obtaining licenses for its new SEZ facilities through the bribery scheme alleged herein.

159. The Q2 2016 Form 10-Q also reported revenue for the three months ended June 30, 2016, of $3,369.9 million, an increase over second quarter 2015 revenue of $3,085.1 million. The Q2 2016 Form 10-Q further stated that the "key drivers of our revenue growth during the three months ended June 30, 2016" were: "[s]olid performance in our Manufacturing/Retail/Logistics and Other business segments"; "[s]ustained strength in the North American market"; "[c]ontinued penetration of the European and Rest of World (primarily the Asia Pacific) markets"; "[i]ncreased customer spending on discretionary projects"; "[e]xpansion of our service offerings, including consulting and digital services"; "[c]ontinued expansion of the market for global delivery of IT and business process services"; and "[i]ncreased penetration at existing customers."

160. Cognizant's Q2 2016 Form 10-Q further reported: "Revenue from our Rest of World customers grew 25.0% . . . in the second quarter of 2016, and was primarily driven by the India, Singapore and Australia markets."

161. The above statements made in the Q2 2016 Form 10-Q were materially false and misleading when made. It was misleading for the Individual Defendants to attribute Cognizant's financial performance to legitimate business factors and conditions, including the "[e]xpansion of our service offerings," "[c]ontinued expansion of the market for global delivery of IT and business process services," and penetration of the Rest of World market, and India

specifically, when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

162. On August 5, 2016, Cognizant held its Q2 2016 earnings conference call with analysts and investors. Defendant Coburn again emphasized Cognizant's ability to deliver cost savings to clients and attributed that ability to wholly legitimate elements of the Company's business model:

> [T]he drive for getting continued efficiencies from existing IT infrastructure to be able to fund innovation projects remains absolutely essential to almost every client. . . . Our strong vertical presence and investments in building sharply focused industry-specific platforms allow clients to obtain these efficiencies by shifting from buying a service to buying an outcome. These trends will continue to open opportunities for us over the coming years.

163. During the same call, defendant McLoughlin attributed the Company's financial success "to a slightly lower tax rate and stronger operating margins."

164. The above statements, made by defendants Coburn and McLoughlin during the Q2 2016 earnings conference call, were materially false and misleading when made. It was misleading for defendant Coburn to attribute Cognizant's ability to deliver costs savings to clients to wholly legitimate business factors and conditions, including the Company's "strong vertical presence and investments in building sharply focused industry-specific platforms," when, in fact, the

Company's ability to deliver cost savings to its clients was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

165. Similarly, it was misleading for defendant McLoughlin to attribute Cognizant's financial performance to legitimate business factors and conditions, including "a slightly lower tax rate and stronger operating margins," when, in fact, the Company's financial performance was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials.

166. On September 6, 2016, defendant Coburn attended the Citi Global Technology Conference with analysts and investors. During the conference, defendant Coburn stated:

> In the core business, it is becoming more difficult in the clients' eyes to differentiate yourself. When I say core business, traditional, application, maintenance. There, it is fairly easy though to have a conversation with a client if you don't care about the rate card, you care about the cost of ownership. So let's move away from time and materials pricing to output-based pricing. I will reduce your cost of ownership, because I'm going to bring in automation, I'm going to bring in various tools of productivity, go more offshore whatever, pull the different levers, clients are very open to that discussion.
>
> And we've been very successful at, while maintaining our margins, being able to achieve the cost of ownership that the clients want.

167. The above statements made by defendant Coburn during the Citi Global Technology Conference were materially false and misleading when made. It was misleading for Coburn to tout Cognizant's ability to "reduce your cost of

ownership" through "various tools of productivity," such as "automation" and "offshore" operations, when, in fact, the Company's ability to deliver cost savings to its clients, while maintaining margins, was driven, in material part, by Cognizant's scheme to obtain SEZ licensing by bribing Indian government officials. It also was misleading for Coburn to tout Cognizant's "success[]" at cutting clients' IT costs "while maintaining our margins" for the same reason.

F. The False and Misleading Proxy Statement

168. In addition to the above false and misleading statements issued and/or caused to be issued by the Individual Defendants, the Individual Defendants likewise caused the Company to issue numerous false and misleading proxy statements, which sought shareholder approval for, *inter alia*, director re-election and executive compensation policies.

169. On April 29, 2016, the Individual Defendants caused Cognizant to file with the SEC and disseminate to shareholders, a Proxy Statement on Form DEF 14A (the "Proxy Statement") in connection with the Company's annual shareholder meeting. Among other things, the Proxy Statement described director responsibilities, the duties of each committee, and provided information about the director nominees up for election. In addition, the Proxy Statement explicitly referenced the Code of Ethics.

170. The Individual Defendants drafted, approved, reviewed, and/or signed the Proxy Statement before it was filed with the SEC and disseminated to Cognizant's shareholders. The Individual Defendants knew, or were deliberately reckless in not knowing, that the Proxy Statement was likewise materially false and misleading.

171. Among other things, the Proxy Statement sought shareholder approval for: (i) the election of defendants Abdalla, Breakiron-Evans, Chadwick, D'Souza, Fox, Klein, Mackay, Narayanan, Patsalos-Fox, Weissman, and Wendel as directors to serve until the Company's 2017 Annual Meeting; and (ii) the approval, on a non-binding, advisory basis, of the compensation of certain executive officers (including defendants D'Souza, Coburn, McLoughlin, and Mehta).

172. With respect to the compensation of the Company's executives, the Proxy Statement set forth to Cognizant shareholders that one of the "key elements of our executive compensation program" is "pay for performance."

173. It is under this guise of "pay-for-performance" that the Proxy Statement sets forth the "Primary Compensation Elements for 2015" stating "Our executive compensation program is designed to motivate, retain and engage our executive leadership and appropriately reward them for their contributions to the achievement of our business strategies and goals."

174. The Individual Defendants' statements in the Proxy Statement, which clearly represented that the Company followed a pay for performance policy, were false and misleading because the Proxy Statement failed to disclose that the Company's financial performance was illusory and misstated. When the Proxy Statement was issued, the Individual Defendants knew of the improper payments being made to Indian officials, and therefore as a result, the Company's purported financial performance (issued under the Individual Defendants' direction and on their watch) that the executive compensation was based upon was materially misstated.

175. Had the Individual Defendants made truthful disclosures in the Proxy Statement, the executive compensation awarded to the Company's named executive officers, which totaled tens of millions of dollars, would have been severely curtailed. For example, the Proxy Statement discusses how annual cash bonuses to certain of the Individual Defendants were explicitly tied to the Company's financial performance stating:

> The Compensation Committee has designed our annual cash incentive program to stimulate and support a high-performance environment by tying such incentive compensation to the attainment of organizational financial goals and by recognizing superior performance. The annual cash incentives are intended to compensate individuals for the achievement of these goals. The Committee determines actual cash incentives after the end of the fiscal year based upon the Company's performance.

The Compensation Committee believes that each Named Executive's annual cash incentive should be based upon the achievement of financial goals, which are tied to metrics that are valued by our stockholders. The Compensation Committee believes that our stockholders value and measure the performance of the Named Executives based principally on the growth of Company revenue, earnings and cash flow. Consequently, the Compensation Committee believes it is appropriate to establish three components to the annual cash incentive: revenue, non-GAAP income from operations ("non-GAAP Income from Operations") (see "Reconciliation of Non-GAAP Financial Measures" on page 55 for a reconciliation of non-GAAP financial measures to our results as reported under GAAP) and days sales outstanding ("DSO"). All three components are subject to adjustment for any acquisitions over the course of the year. Over the past several years, one of our principal goals has been to grow revenue at an industry-leading pace, while maintaining a targeted level of non-GAAP operating margin and DSO. The annual cash incentive target has been set in an effort to achieve this operating performance.

* * *

The Compensation Committee established revenue and non-GAAP Income from Operations targets at levels 19% and 13% above the Company's 2014 revenue and non-GAAP Income from Operations, respectively. These targets were established to incentivize the Company's management to prioritize a continued high level of growth in the Company's revenue while maintaining a targeted level of non-GAAP operating margin.

* * *

The Compensation Committee set the 2015 target awards for the Named Executives at a level equal to 85% of the Named Executives' base salaries. Based on the Company's actual 2015 performance against the metrics described above, the Compensation Committee determined that performance under the annual cash incentive program had been achieved at a level equal to 142% of the target award. The target awards and actual awards approved for payment by the

Compensation Committee for 2015 to each of the Named Executives are set forth in the following table.

Name	2015 Annual Cash Incentive	
	Target Award	Actual Award
Francisco D'Souza	$548,250	$778,306
Gordon Coburn	$521,475	$740,296
Karen McLoughlin	$345,100	$489,910
Rajeev Mehta	$457,725	$649,795

176. Had truthful information been disclosed in the Proxy Statement regarding the Company's actual performance and financial condition, defendants D'Souza, Coburn, McLoughlin, and Mehta would not have received such massive cash bonuses.

177. Finally, if truthful disclosures been made in the Proxy Statement, defendants Abdalla, Breakiron-Evans, Chadwick, D'Souza, Fox, Klein, Mackay, Narayanan, Patsalos-Fox, Weissman, and Wendel would not have been re-elected to the Board.

178. Accordingly, the Proxy Statement, as set forth above, was false and misleading when issued.

V. INSIDER SELLING

179. During the Relevant Period, while in possession of material, adverse, non-public information, certain of the Individual Defendants took advantage of the artificially inflated prices to sell their Cognizant shares for their own illicit profit. Specifically, the Insider Selling Defendants ***sold more than $48 million*** of personally held common stock.

180. Defendant D'Souza was aware of material, non-public information regarding the Company's financial reporting, including that Cognizant was making improper payments to Indian government officials in exchange for SEZ licensing. While in possession of this information, defendant D'Souza sold 500,000 personally held shares of Cognizant stock at prices from $57.54 to $58.57, while it was trading at artificially inflated prices, obtaining proceeds of more than $29 million on the following dates:

CTSH	$57.54	100,000	2016-07-29
CTSH	$57.83	100,000	2016-07-28
CTSH	$58.23	100,000	2016-07-27
CTSH	$58.57	100,000	2016-07-26
CTSH	$58.14	100,000	2016-07-25

181. Defendant McLoughlin was aware of material, non-public information regarding the Company's financial reporting, including that Cognizant was making

improper payments to Indian government officials in exchange for SEZ licensing. While in possession of this information, defendant McLoughlin sold at least 56,000 personally held shares of Cognizant stock at prices from $60.00 to $67.36, while it traded at artificially inflated prices, obtaining proceeds of approximately $3.51 million on the following dates:

CTSH	$60.00	20,000	2016-08-05
CTSH	$61.13	8,018	2016-06-20
CTSH	$60.26	590	2016-06-10
CTSH	$61.13	1,671	2016-06-08
CTSH	$61.01	880	2016-04-07
CTSH	$62.67	1,641	2016-03-30
CTSH	$63.75	1,393	2015-09-09
CTSH	$67.36	5,171	2015-08-05
CTSH	$63.75	5,000	2015-06-12
CTSH	$65.00	10,000	2015-05-04
CTSH	$62.78	1,863	2015-03-18

182. Defendant Coburn was aware of material, nonpublic information regarding the Company's financial reporting, including that Cognizant was making improper payments to Indian government officials in exchange for SEZ licensing. While in possession of this information, defendant Coburn sold over 159,000 personally held shares of Cognizant stock while it traded at artificially inflated prices from $60.05 to $65.14, obtaining proceeds of approximately $9.23 million on the following dates:

CTSH	$60.72	7,881	2016-06-07
CTSH	$60.05	15,000	2016-06-06
CTSH	$61.27	12,119	2016-05-12
CTSH	$61.56	15,000	2016-05-11
CTSH	$61.35	3,879	2015-12-08
CTSH	$62.51	15,000	2015-12-07
CTSH	$61.77	15,000	2015-12-04
CTSH	$61.76	6,446	2015-09-04
CTSH	$64.19	14,043	2015-06-05
CTSH	$65.14	15,000	2015-06-04
CTSH	$63.23	10,000	2015-05-18
CTSH	$64.03	15,000	2015-05-15

CTSH	$62.19	15,000	2015-05-14

183. Defendant Klein was aware of material, non-public information regarding the Company's financial reporting, including that Cognizant was making improper payments to Indian government officials in exchange for SEZ licensing. While in possession of this information, defendant Klein sold at least 61,229 personally held shares of Cognizant stock while it traded at artificially inflated price of $61.30, obtaining proceeds of approximately $3.75 million on the following date:

CTSH	$61.30	61,229	2016-05-16

184. Defendant Breakiron-Evans was aware of material, non-public information regarding the Company's financial reporting, including that Cognizant was making improper payments to Indian government officials in exchange for SEZ licensing. While in possession of this information, defendant Breakiron-Evans sold at least 20,000 personally held shares of Company stock while it traded at artificially inflated prices from $57.79 to $62.20, obtaining proceeds of approximately 1.20 million on the following dates:

CTSH	$57.79	10,000	2016-03-14
CTSH	$62.20	10,000	2015-03-05

185. Defendant Fox was aware of material, non-public information regarding the Company's financial reporting, including that Cognizant was making improper payments to Indian government officials in exchange for SEZ licensing. While in possession of this information, defendant Fox sold at least 22,345 personally held shares of Cognizant stock while it traded at artificially inflated prices from $56.69 to $61.50, obtaining proceeds of approximately $1.33 million on the following dates:

CTSH	$61.50	12,345	2016-05-10
CTSH	$56.69	10,000	2016-02-22

VI. DAMAGES TO THE COMPANY

186. As a result of the Individual Defendants' wrongful conduct, Cognizant disseminated false and misleading statements and omitted material information regarding the bribery of officials in India. The false and misleading statements have devastated Cognizant's credibility. Cognizant has been, and will continue to be, severely damaged and injured by the Individual Defendants' misconduct.

187. Indeed, the Individual Defendants' false and misleading statements as alleged above, have caused the Company, along with defendants Coburn, D'Souza, and McLoughlin, to be named as defendants in the Securities Class Action pending in the U.S. District Court for the District of New Jersey in which the Company and

defendants Coburn, D'Souza, and McLoughlin are alleged to have violated the federal securities laws.

188. As a direct and proximate result of the Individual Defendants' actions, Cognizant has expended, and will continue to expend, significant sums of money. Such expenditures include, but are not limited to: (1) costs incurred from defending and paying any settlement in the Securities Class Action; (2) costs and expenses incurred from the Company's internal investigation and the investigation into the Company by the DOJ and the SEC;[12] and (3) the amount received by the Insider Selling Defendants.

VII. PLAINTIFF'S DEMAND AND DERIVATIVE ALLEGATIONS

189. Plaintiff brings this action derivatively in the right and for the benefit of Cognizant to redress injuries suffered, and to be suffered, by Cognizant as a direct result of the Individual Defendants' breaches of fiduciary duties and unjust enrichment by the Individual Defendants. Cognizant is named as a nominal defendant solely in a derivative capacity.

190. Plaintiff will adequately and fairly represent the interests of Cognizant in enforcing and prosecuting its rights.

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[12] Indeed, as noted above, in the 2016 Form 10-K, the Company acknowledged that "in 2016, the Company incurred $27 million in costs related to the FCPA investigation and related lawsuits. We expect to continue to incur expenses related to these matters in 2017 and future periods."

191. Plaintiff did not make a pre-suit demand on the Board to pursue this action because such a demand would have been a futile and wasteful act.

192. At the time this action was commenced, the Board consisted of the following thirteen (13) directors: defendants Abdalla, D'Souza, Mackay, Weissman, Breakiron-Evans, Fox, Narayanan, Wendel, Chadwick, Klein, and Patsalos-Fox and non-defendant directors Betsy Atkins and John M. Dineen. Plaintiff has not made any demand on the present Board to institute this action because such a demand would be a futile as set forth below.

A. Demand Is Futile as to All Director Defendants Because the Director Defendants Face a Substantial Likelihood of Liability

193. The Director Defendants face a substantial likelihood of liability for their individual misconduct. The Director Defendants were directors throughout the time of the false and misleading statements referenced above, and as such had a fiduciary duty to ensure that the Company's SEC filings, press releases, and other public statements and presentations concerning its business, operations, prospects, internal controls, and financial statements were accurate.

194. Moreover, the Director Defendants owed a duty to, in good faith and with due diligence, exercise reasonable inquiry, oversight, and supervision to ensure that the Company's internal controls were sufficiently robust and effective (and/or were being implemented effectively), and to ensure that the Board's duties

were being discharged in good faith and with the required diligence and due care. Instead, the Director Defendants knowingly and/or with reckless disregard reviewed, authorized, and/or caused the publication of the materially false and misleading statements discussed above that disguised a bribery scheme in which Cognizant paid improper payments to Indian officials in order to obtain the permits for its Indian facilities, which caused the Company's stock to trade at artificially inflated prices and misrepresented the financial health of Cognizant.

195. The Director Defendants' making or authorization of these false and misleading statements, failure to timely correct such statements, failure to take necessary and appropriate steps to ensure that the Company's internal controls were sufficiently robust and effective (and/or were being implemented effectively), and failure to take necessary and appropriate steps to ensure that the Board's duties were being discharged in good faith and with the required diligence constitute breaches of fiduciary duties and have resulted in the Director Defendants facing a substantial likelihood of liability. If the Director Defendants were to bring a suit on behalf of Cognizant to recover damages sustained as a result of this misconduct, they would expose themselves to significant liability. This is something they will not do. For this reason demand is futile.

B. Defendants Abdalla, Mackay, Breakiron-Evans, Wendel, Chadwick, and Klein as Audit Committee Members Are Not Disinterested as they Face a Substantial Likelihood of Liability

196. During the Relevant Period, defendants Abdalla, Mackay, Breakiron-Evans, Wendel, Chadwick, and Klein served as members of the Audit Committee. Pursuant to the Company's Audit Committee Charter, the members of the Audit Committee were and are responsible for, *inter alia*, oversight over the Company's financial information reported to the public and the adequacy of the Company's internal controls. The Audit Committee Defendants breached their fiduciary duties of due care, loyalty, and good faith, because the Audit Committee, *inter alia*, allowed or permitted the Company to disseminate false and misleading statements in the Company's SEC filings and other disclosures. Therefore, the Audit Committee Defendants each face a substantial likelihood of liability for their breach of fiduciary duties and any demand upon them is futile.

C. Defendants D'Souza, Breakiron-Evans, Fox, and Klein Face a Substantial Likelihood of Liability Because of their Challenged Sales

197. Defendants D'Souza, Breakiron-Evans, Fox, and Klein each illicitly sold shares of Cognizant stock while they were in possession of material, adverse, non-public information, during a time in which Cognizant stock was artificially inflated due to the Individual Defendants' misconduct. As a result of these illicit insider sales, defendants D'Souza, Breakiron-Evans, Fox, and Klein each received

direct financial benefits not shared with Cognizant shareholders, and are, therefore, each directly interested in a demand. Further, defendants D'Souza, Breakiron-Evans, Fox, and Klein each are interested in a demand because they face a substantial likelihood of liability for their breaches of fiduciary duties of loyalty and good faith based on their challenged insider sales. Accordingly, demand upon defendants D'Souza, Breakiron-Evans, Fox, and Klein is futile.

D. Defendants D'Souza and Narayanan Are Not Independent Per the Company's SEC Filings

198. Defendants D'Souza and Narayanan are not independent directors as the Board admits in the Company's Proxy Statement filed with the SEC on April 29, 2016 ("Proxy Statement").[13] Defendant D'Souza's, as CEO of Cognizant, derives substantially all of his income from his employment with Cognizant therefore he could not independently consider any demand to sue himself for breaching his fiduciary duties to Cognizant because that would expose him to liability and threaten his livelihood.

199. Defendant Narayanan is Vice Chairman of the Board since 2003, and served as the President from 2003 through 2006 and the CEO of Cognizant from 2003 through 2006. He also served in certain executive positions at Cognizant's

[13] Per the Proxy Statement, the Board determined that defendants D'Souza and Narayanan are not "independent directors" under the "rules of NASDAQ Stock Market LLC ("NASDAQ"), which require that, in the opinion of the Board, such person not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director."

Indian subsidiary, specifically President from 1996 through 2003 and Chief Technology Officer from 1994 through 1996. Defendant Narayanan cannot independently consider any demand to sue himself for breaching his fiduciary duties to Cognizant because that would expose him to liability and threaten his livelihood, in addition to the fact that Narayanan's longstanding business relationship with Cognizant impairs his ability to independently consider a demand.

E. Defendant D'Souza Cannot Disinterestedly Consider a Demand Because He Is Named a Defendant in the Securities Class Action

200. Defendant D'Souza is unable to disinterestedly consider a demand to bring suit against himself because he is a named defendant in the Securities Class Action. Accordingly, if defendant D'Souza were to initiate suit in this action, he would compromise his ability to simultaneously defend himself in the Federal Securities Class Action and would expose himself to liability in this action, which he would not do.

F. Defendants D'Souza and Weissman Are Unable to Independently Consider a Demand

201. Demand is futile as to defendants D'Souza and Weissman because they have significant business and longtime friendships with defendant Coburn and each other. In particular, it appears from the Company's announcements that defendant Coburn was one of the "senior management" that perpetuated the

bribery scheme. Defendant Coburn worked extensively with Defendants D'Souza and Weissman at The Dun & Bradstreet Corporation ("D&B") in the 1990s prior to and during Cognizant's split from D&B in 1995. Consequently, defendants D'Souza and Weissman's longtime association with one another, and defendant Coburn, prevent them from independently considering a demand.

COUNT I
Against the Individual Defendants for Breach of Fiduciary Duties

202. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

203. By the acts, transactions, and courses of conduct alleged herein, the Individual Defendants have violated their fiduciary duties of care and loyalty owed to the public shareholders of Cognizant.

204. As demonstrated by the allegations above, the Individual Defendants have failed to exercise the necessary care required, and breached their duty of loyalty because, among other reasons, they have failed to take steps to protect Cognizant from the damage stemming from the Company's ineffective internal controls over financial reporting and Cognizant's improper payments for gaining permits and building licenses relating to its facilities in India.

205. And, as demonstrated by the allegations above, the Individual Defendants have also failed to exercise the necessary care required, and breached their duty of loyalty because, among other reasons, they failed to take steps to

maintain adequate internal controls necessary to prevent against the conduct alleged herein.

206. As a direct and proximate result of these Individual Defendants' breaches of their fiduciary obligations, Cognizant has sustained and continues to sustain significant damages. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

COUNT II
Against Insider Selling Defendants for Breach of Fiduciary Duties for Insider Selling and Concealing Material Information

207. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

208. At the time of each of the stock sales set forth above, the Insider Selling Defendants knew, but did not disclose publicly, that the Company lacked effective internal controls over financial reporting and Cognizant had made improper payments for gaining permits and building licenses relating to its facilities in India. The Insider Selling Defendants made each of the stock sales described herein on the basis of and because of their knowledge of the material, non-public information described herein.

209. Further, at the time of their stock sales, the Insider Selling Defendants knew that when the truth about Company's conduct was finally reported, the price of the Company's common stock would dramatically decrease. The Insider Selling

Defendants' sale of Cognizant common stock based on their knowledge of this material non-public information was a breach of their fiduciary duties of loyalty and good faith.

210. Accordingly, the Company is entitled to the imposition of a constructive trust on any profits the Insider Selling Defendants obtained thereby.

211. Plaintiff, on behalf of Cognizant, has no adequate remedy at law.

COUNT III
Against the Insider Selling Defendants for Unjust Enrichment

212. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

213. By their wrongful acts and omissions, the Insider Selling Defendants, were unjustly enriched at the expense of and to the detriment of Cognizant.

214. Each Insider Selling Defendant was unjustly enriched by their receipt of proceeds from their illegal sales of Cognizant common stock, as alleged herein.

215. Plaintiff, as a shareholder and representative of Cognizant, seeks restitution from the Insider Selling Defendants, and seeks an order of this Court disgorging all profits, benefits, and other compensation obtained by the Insider Selling Defendants as a result of their wrongful conduct and fiduciary breaches.

216. Plaintiff, on behalf of Cognizant, has no adequate remedy at law.

COUNT IV
Against All the Individual Defendants for
Violations of Section 14(a) of the Securities Exchange Act of 1934

217. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

218. Rule 14a-9, promulgated pursuant to § 14(a) of the Securities Exchange Act of 1934, provides that no proxy statement shall contain "any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading." 17 C.F.R. § 240.14a-9.

219. Specifically, the Proxy Statement violated § 14(a) and Rule 14a-9 because it solicited Cognizant shareholder votes for, *inter alia*, director reelection and executive compensation, while simultaneously misrepresenting and/or failing to disclose the bribery scheme and the Company's false financial performance that had been continuously touted and repeated by the Individual Defendants.

220. As alleged herein, in the Proxy Statement, the Individual Defendants also specifically referenced the Code of Ethics, which required compliance with all laws, rules, and regulations. Because the Company, under the Individual Defendants' direction and on their watch, was affirmatively engaging in illicit activity in violation of laws and/or regulations, the Individual Defendants

affirmatively violated the Code. Not only did the Proxy Statement not disclose these illicit activities, it did not disclose that the express terms of the Code were being violated. Rather than disclose the truth of the Company's financial condition and the violations of the Code of Ethics, the Individual Defendants issued a series of false and misleading statements.

221. Finally, in the Proxy Statement, the Individual Defendants repeatedly falsely touted that the proposed executive compensation packages (which were voted on by the Company's shareholders) were based on a so-called "pay for performance." The Individual Defendants' statements in the Proxy statement, which touted a purported "pay for performance" philosophy were false all along as alleged herein.

222. In the exercise of reasonable care, the Individual Defendants should have known that the statements contained in the Proxy Statement were materially false and misleading.

223. The misrepresentations and omissions in the Proxy Statement were material. The Proxy Statement was an essential link in the accomplishment of the continuation of the Individual Defendants' scheme.

224. In the exercise of reasonable care, the Individual Defendants should have known that the statements contained in the Proxy Statement were materially

false and misleading, and/or that the Proxy Statement omitted material information.

225. The Company was damaged as a result of the Individual Defendants' material misrepresentations and omissions in the Proxy Statement.

VIII. PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment in the Company's favor against the Individual Defendants as follows:

A. Declaring that Plaintiff may maintain this derivative action on behalf of Cognizant, and that Plaintiff is a proper and adequate representative of the Company;

B. Against the Individual Defendants and in favor of the Company for the amount of damages sustained by the Company as a result of the Individual Defendants' breaches of fiduciary duties and unjust enrichment;

C. Awarding to Cognizant restitution from the Individual Defendants, and each of them, and ordering disgorgement of all profits, benefits and other compensation obtained by them;

D. Granting appropriate equitable relief to remedy the Individual Defendants' breaches of fiduciary duties and other violations of law, including, but not limited to, the institution of appropriate corporate governance measures;

E. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

F. Granting such other and further relief as the Court deems just and proper.

IX. JURY DEMAND

Plaintiff demands a trial by jury.

Dated: May 10, 2017

GARDY & NOTIS, LLP

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Counsel for Plaintiff

VERIFICATION

I, Marjorie A. Hoy, as Trustee and Beneficiary of the James B. Hoy & Marjorie A. Hoy TTEES FBO Marjorie A. Hoy Rev Liv Trust, have authorized the filing of the attached Verified Shareholder Derivative Complaint ("Complaint"). I have read the Complaint, and the allegations therein are true to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct.

DATED: May 8, 2017

Marjorie A. Hoy (May 8, 2017)

Marjorie A. Hoy